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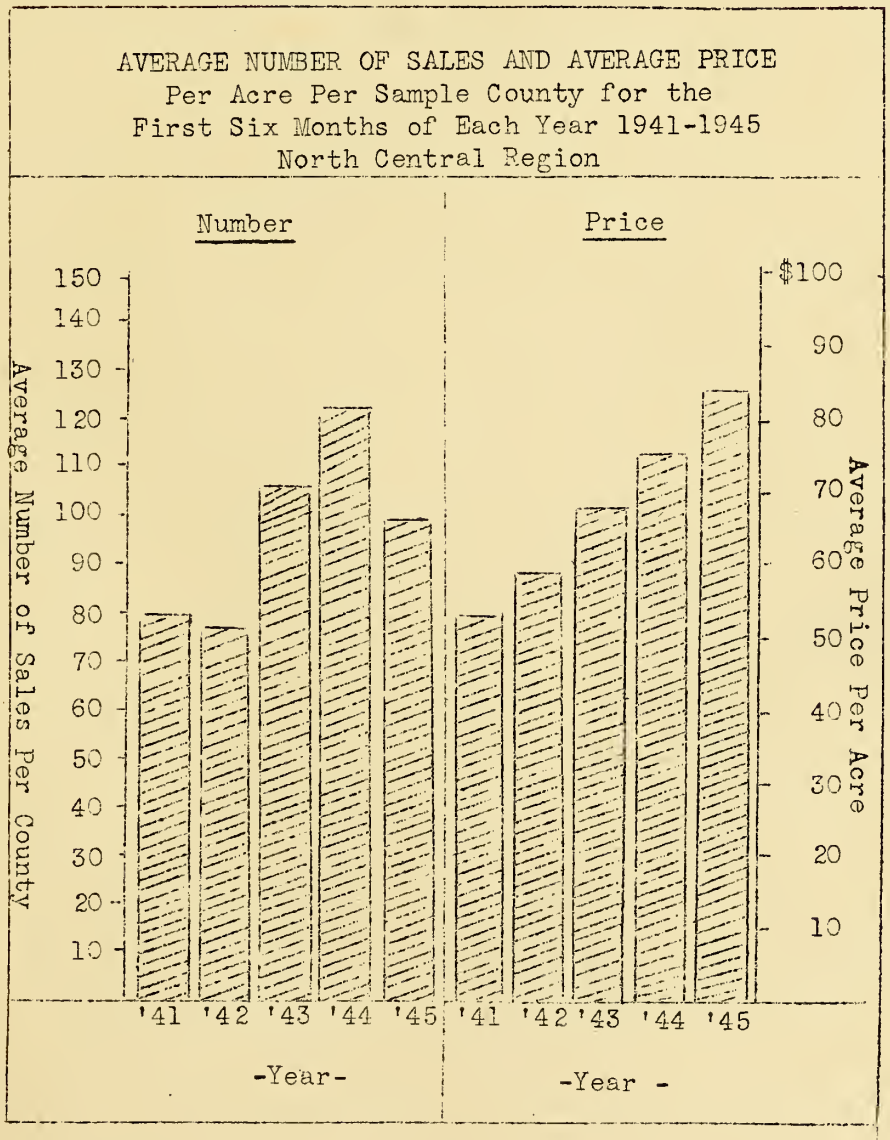
UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

WARTIME LAND MARKET SURVEY IN THE NORTH CENTRAL REGION

Second Quarter 1945



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SUMMARY

VOLUME: Six percent fewer tracts were transferred in the current quarter than in the second quarter of last year and 14 percent less than in the second quarter of 1943. Although the number of transfers has declined over the past five quarters the volume is still higher than the 1941-1942 period. The volume of sales in the first half of this year is 19 percent less than the first six months of 1944.

PURCHASERS: Sixty-five percent of the tracts sold in the current quarter were purchased by farmers. Tenants purchased 38 percent of the tracts bought by farmers as compared to 65 percent a year ago. The trend seems to be toward a larger proportion of non-farmers intending to operate the tracts purchased.

SELLERS: Individuals sold 71 percent of the tracts transferred in the current quarter. This is the same proportion as a year ago and compares with 67 percent two years ago and 76 percent last quarter. All of the increase in the proportion of sales by individuals since the second quarter of 1943 has been in sales by owner-operators.

PRICES: In no quarter since the beginning of this study have land prices not been higher than the same quarter of the preceding year. The second quarter of 1945 average price of $78 per acre is 7 percent higher than the same period of last year and 44 percent above the second quarter of 1941. The average price for the first six months of this year is 11 percent above the same period of last year.

BUYER'S EQUITY: Forty-six percent of the tracts purchased in the current quarter have been financed by new mortgages. Current quarter buyers who have financed their land purchase retain an average equity of 43 percent as compared to 40 percent in the second quarter of last year and 39 percent in the second quarter of 1943. In the General Farming Area the average per acre indebtedness on credit financed purchases is higher than any previous quarter and is equal to the average price of all land sold in that area during the year 1941.

MORTGAGE FINANCING: The proportion of purchase money mortgages continues relatively low in comparison to other quarters. The resulting increase in other new mortgages has been almost entirely taken up by commercial banks. The most common interest rate has risen from 4 percent last quarter to 5 percent this quarter. Forty-six percent of the new mortgages on credit financed purchases this quarter will mature within five years or less. Almost 3/4 of all new mortgages carry some plan of amortized payment.

RESALES: Resales of tracts held one year or less were 5.7 percent of the total first quarter 1945 sales. The average proportion of these quick resales for the years 1942, 1943 and 1944 is 6.3 percent, 6.1 percent and 7.7 percent respectively. The average gross profit on the resale of tracts held for a year or less was 14.8 percent for those tracts resold in the first quarter of this year. The average gross profit on these resales for the year 1942 was 15.3 percent, for 1943, 14.8 percent and for 1944, 16.1 percent.

OUTLOOK: It is unlikely that any major influence of the war's end will become apparent until the first quarter of next year. If present trends continue there will be a higher proportion of credit financed purchases in the next few quarters and commercial banks will continue to increase in importance as a source of mortgage credit. It appears likely that the decline in volume of transfers will tend to level off in the next two quarters, and that prices will continue to rise.

WARTIME LAND MARKET SURVEY 1/

Second Quarter, 1945 2/

Introduction

A continued large volume of land transfers at constantly rising prices indicates the strong attraction of capital to land. The accumulation of urban as well as rural savings together with the high net farm income provides the economic conditions for a really serious land inflation. Apparently all that is lacking if the general price level remains high is the proper psychological attitude which could be touched off almost any time.

Various types of land market control measures have been suggested to prevent serious land inflation. However, if any type of controls are to be effective it will be of the utmost importance to control the general price level for it is almost certain that any rise in the general price level will result in higher land prices.

The total farm mortgage debt reduction and the high proportion of cash sales may by themselves be misleading in regard to dangers in the present situation. "The Farm Real Estate Sitatuion 1943-44", published by the Bureau of Agricultural Economics, points out these facts: Despite the high proportion of cash sales more people went into debt to buy land in 1943 than in any year since 1920. Mortgages used to finance the purchase of farms amounted to 75 percent or more of the sale price in one-third, and 50 percent or more in three-fourths of the sales that were financed through credit. Also, that in more than one-fourth of the states of this country, values on November 1, 1944 were above their 1919 levels.

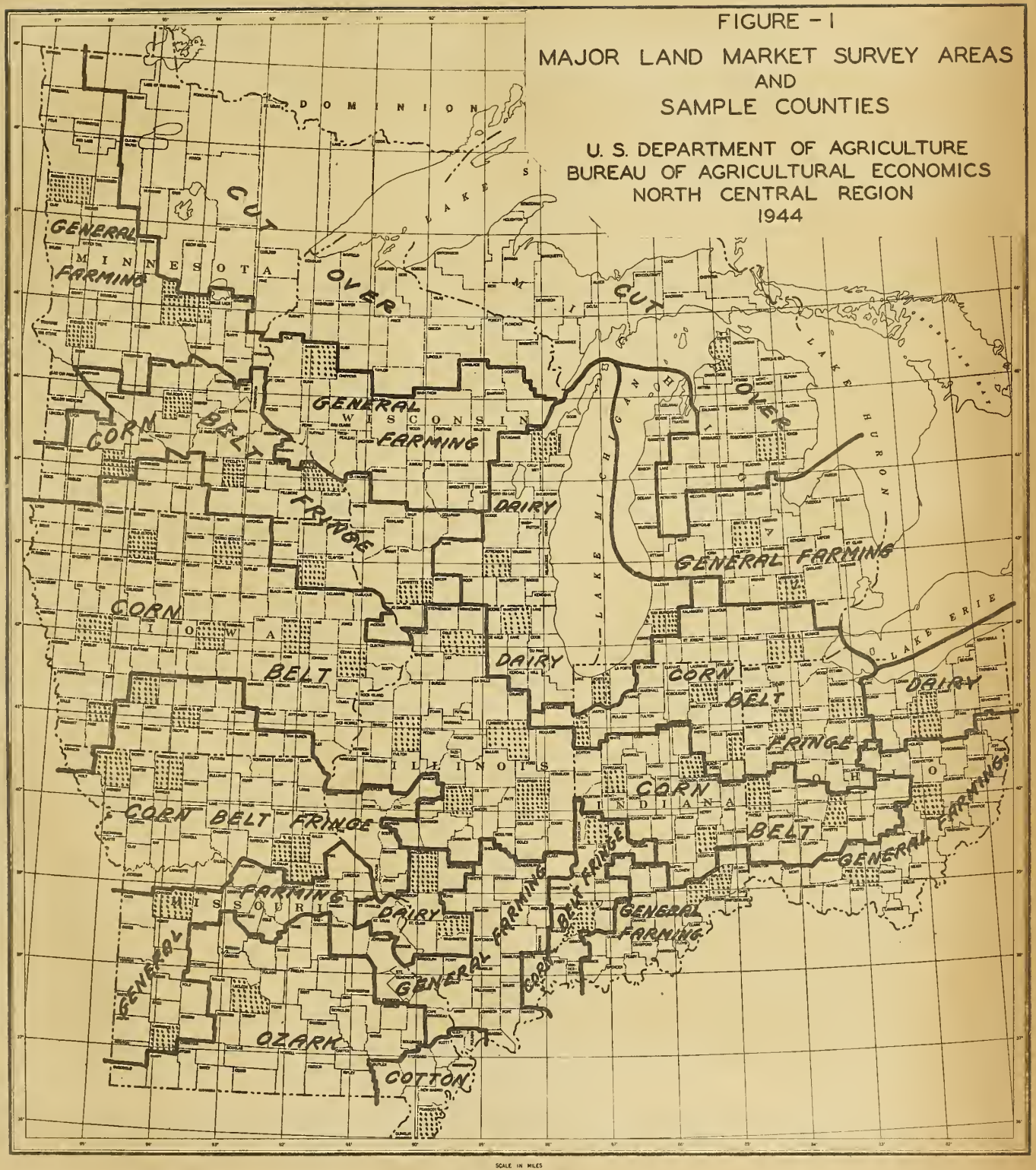
1/ Assistance in collecting and tabulating the data for this survey was provided by members of the Department of Agricultural Economics in Illinois, Indiana, Iowa, Minnesota, Michigan and Ohio, and by members of the BAE staff.

2/ This report is the fourteenth in a series presenting current information on farm real estate activity in selected counties in the North Central Region. The data include only voluntary sales and were obtained from deed and mortgage records in local county recorder's offices. The information on buyers and sellers was obtained primarily from mail questionnaires and was supplemented in some counties by information from local people. A list of sample counties is given in the Appendix.

FIGURE - 1

MAJOR LAND MARKET SURVEY AREAS AND SAMPLE COUNTIES

U. S. DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
NORTH CENTRAL REGION
1944



VOLUME

For the fifth successive quarter the volume of transfers is less than the comparable quarter of the preceding year (Table I).

TABLE 1. Average Number of Land Transfers per County

Year	Quarter				Yearly Average
	First	Second	Third	Fourth	
1941	47	34	34	43	158
1942	47	30	24	32	133
1943	55	51	39	46	191
1944	75	47	34	42	198
1945	54	44			

Six percent fewer tracts were transferred in the current quarter than in the second quarter of last year and 14 percent less than in the second quarter of 1943. Although the number of transfers has declined over the past five quarters it is still higher than the 1941-1942 period. The current volume of transfers is above any quarter of 1941 or 1942 except the first quarter of those years. The current quarter decline is the smallest since the drop in volume began a year ago.

The Dairy Area and the Cotton Area are the only areas in which the current volume of transfers is higher than a year ago. These two areas show an even higher volume of sales than the second quarter of 1943 (Table 2).

Three of the five sub-areas comprising the Corn Belt Area and half of the sub-areas comprising the Corn Belt Fringe Area also show greater activity than a year ago. Of the 56 counties for which data were available this quarter, 25 had a larger volume of transfers than a year ago, 28 a smaller volume and 3 the same volume.

The volume of sales in the first half of this year is 19 percent less than the first six months of 1944 and 7 percent less than the first six months of 1943 but above the first six months of either 1941 or 1942.

PURCHASERS

Sixty-five percent of the tracts sold in the current quarter were purchased by farmers (Table 3). The proportion of purchases by farmers in the first half of the present year is slightly lower than the first half of last year. The decline in the proportion of purchases by farmers in the first half of this year and the corresponding increase in the proportion of purchases by non-farmers would indicate that it was principally farmers who refrained from buying during the decline in volume of sales over the past year.

Buyers indicate that 25 percent of the tracts purchased will be leased to other persons. This is the smallest proportion of any quarter except the first quarter of last year.

TABLE 2. Average Number of Farm Real Estate Sales per sample county, Second Quarter 1941-1945 - North Central Region 1/

Area 2/	No. of sample Counties for 1945	Second Quarter 1941 3/	1942	1943	1944	1945
		Number				
CORN BELT AREA						
Central Indiana-Ohio	5	27	31	50	37	43
Illinois-Indiana Cash Grain	3	20	17	27	16	19
Illinois-Iowa Livestock	3	30	23	30	22	30
Central and Northern Iowa	4	19	16	40	29	19
Western Iowa	2	9	14	50	30	23
DAIRY AREA						
Northeastern Ohio	2	59	58	69	83	82
Lake Michigan	5	64	44	60	50	59
East St. Louis	2	46	26	45	39	37
CORN BELT FRINGE AREA						
Toledo General Farming	4	33	33	70	53	59
Kankakee River	2	29	26	26	23	38
Lower Wabash River	2	17	25	44	49	52
Missouri Putnam Soils	2	27	30	42	46	53
Iowa-Missouri Pasture	2	26	21	48	34	30
Maryville-Greenfield Livestock	2	42	16	69	51	43
Southern Minnesota	3	20	16	27	28	20
LaCrosse-Dubuque Livestock	3	18	15	35	36	22
GENERAL FARMING AREA						
Southeastern Ohio	2	24	29	75	54	68
Southeastern Indiana	2	44	31	49	71	64
Southwestern Missouri Plains	2	45	36	88	71	76
Central Minnesota-Wisconsin	2	46	46	73	98	74
Red River Valley	2	14	14	27	26	20
Central and Western Michigan	2	50	49	62	81	70
CUTOVER AND OZARK AREA						
Michigan Cutover	2	27	24	35	31	27
Missouri Ozark	1	82	73	78	73	75
MISSOURI-ILLINOIS COTTON AREA	1	31	15	19	18	25
REGIONAL AVERAGE (Total)	62	34	30	51	47	44

1/ Deeds dated and recorded within the same quarter for 1942. The 1943 to 1945 numbers include in addition deeds dated in the preceding month but recorded in each quarter. The names of sample counties are given in the Appendix.

2/ Areas and sub-areas are given weights in averages according to the amount of land in farms. Regional and area figures will be changed somewhat from previous reports due to the addition of new areas.

3/ Based on 33 sample counties. The number of transfers for areas in which 1941 data were not available was calculated on the basis of the 1941-1942 ratio in areas for which data were available. This ratio was applied to the 1942 figures in those areas for which 1941 data were not available.

TABLE 3. Distribution of Farm Land Purchases by Occupation and Intent of Purchaser

Year	Farmers		Non-Farmers	
	To operate	To lease to others	To operate	To lease to others
	Percent			
1943				
1st Quarter	60	7	8	25
2nd Quarter	54	7	10	29
3rd Quarter	48	7	11	34
4th Quarter	62	10	10	18
1944				
1st Quarter	66	8	11	15
2nd Quarter	61	7	11	21
3rd Quarter	57	8	14	21
4th Quarter	58	6	16	20
1945				
1st Quarter	60	8	11	21
2nd Quarter	59	6	16	19

Tenants purchased 38 percent of the tracts bought by farmers or 28 percent of all tracts transferred. A year ago tenants purchased 65 percent of the tracts bought by farmers or 44 percent of all the tracts transferred. Last quarter tenants purchased 43 percent of the tracts purchased by farmers or 29 percent of all tracts transferred.

The trend seems to be toward a larger proportion of non-farmers planning to operate the tracts purchased. More than half the non-farmer buyers in the Dairy Area, the General Farming Area and the Cutover and Ozark Area have indicated intentions of operating the land purchased (Table 4). It has only been in recent quarters that the proportion in the Dairy Area and General Farming Area have exceeded half. Also a higher proportion of non-farmers who bought land this quarter in the Corn Belt Area intend to operate than in any previous quarter.

Purchases by farmers were heaviest in the Cotton Area and the General Farming Area and lightest in the Cutover and Ozark Areas.

TABLE 4. Farmers and non-farmers buying farms and their intentions to operate or lease to others, Second Quarter 1945, North Central Region

Area	Total Transfers Classified	Farmers		Non-Farmers	
		To operate	To lease to others	To operate	To lease to others
	(Number)	Percent			
CORN BELT AREA					
Central Indiana-Ohio	173	61	5	14	20
Illinois-Indiana Cash Grain	22	9	18	9	64
Illinois-Iowa Livestock	12	33	8	17	42
Central and Northern Iowa	33	85	6	6	3
Western Iowa	27	67	0	11	22
DAIRY AREA					
Northeastern Ohio	35	51	6	20	23
Lake Michigan	113	47	3	29	21
East St. Louis	37	51	19	14	16
CORN BELT FRINGE AREA					
Toledo General Farming	70	31	13	23	33
Kankakee River	66	53	6	11	30
Lower Wabash River	43	44	5	21	30
Missouri Putnam Soils	62	61	3	15	21
Iowa-Missouri Pasture	29	66	3	10	21
Maryville-Greenfield Livestock	32	94	3	0	3
Southern Minnesota	19	58	5	5	32
LaCrosse-Dubuque Livestock	15	73	7	13	7
GENERAL FARMING AREA					
Southeastern Ohio	60	60	3	20	17
Southeastern Indiana	58	48	7	28	17
Southwestern Missouri Plains	29	69	0	21	10
Central Minnesota-Wisconsin	24	75	8	13	4
Red River Valley	14	72	7	21	0
Central and Western Michigan	28	57	3	29	11
CUTOVER AND OZARK AREA					
Michigan Cutover	11	55	0	45	0
Missouri Ozark	25	48	4	28	20
MISSOURI-ILLINOIS COTTON AREA	17	71	6	0	23
REGIONAL TOTAL	1054	59	6	16	19

SELLERS

Seventy-one percent of the tracts transferred in the current quarter were sold by individuals (Table 5). This is the same proportion as a year ago and compares with 67 percent two years ago and 76 percent last quarter. By apportioning the percent of unclassified individuals between owner-operators and landlords it can be seen that all of the increase since the second quarter of 1943 has been in sales by owner-operators. In 1943 owner-operators sold 22 percent of the tracts transferred and landlords 45 percent. In 1944 owner-operators sold 25 percent and landlords 46 percent. In the current quarter owner-operators sold 27 percent and landlords 44 percent.

The increase in the proportion of sales by individuals can best be explained by the decline in sales by corporations and governments who disposed of their holdings early in the present active market. These sales have fallen from 18 percent in the second quarter of 1943 to 13 percent a year ago and 11 percent for the present quarter.

As usual sales by individuals are highest in the Cutover and Ozark Area.

The proportion of sales by estates has remained almost unchanged throughout this study. There has continually been a higher proportion of estate sales in the Corn Belt than in any other area.

The intentions of owner-operators after selling land has not changed appreciably in the past years. In the current quarter 57 percent of the owner-operators who sold land plan to continue farming and 32 percent plan to retire, (Table 6). A year ago 51 percent indicated they would continue farming and 36 percent retire, while 13 percent intended to seek other employment. There has actually been a decline in the past two years in the proportion of owner-operator sellers planning retirement. In the second quarter of 1943, 41 percent indicated they planned to retire.

TABLE 6. Intention of Owner-Operators who recently sold land, sample counties, Second Quarter, 1945. North Central Region.

Area	Total Transfers Classified	Intent of owner-operators after selling land			
		Continue to Farm	Other Occupations	In Armed Forces	Retire
	(Number)	Percent			
Corn Belt Area	75	75	3	1	21
Dairy Area	67	43	11	0	46
Corn Belt Fringe Area	94	56	10	0	34
General Farming Area	89	47	17	0	36
Cutover and Ozark Area	11	37	16	9	38
Cotton Area 1/					
REGION	336	57	10	1	32

1/ Cotton Area omitted as only two cases were available.

TABLE 5. Types of Owners selling farms, Second Quarter, 1945
North Central Region

Area	Total transfers	Type of Seller: Owner operator	Landlord	Unclassified individuals	Estates	Corporations and Gov't.
	(Number)	Percent				
CORN BELT AREA						
Central Indiana-Ohio	215	34	27	14	22	3
Illinois-Indiana Cash Grain	43	5	32	21	28	14
Illinois-Iowa Livestock	65	5	17	52	21	5
Central and Northern Iowa	75	6	16	25	24	29
Western Iowa	38	21	21	21	32	5
DAIRY AREA						
Northeastern Ohio	149	9	11	62	18	0
Lake Michigan	282	18	22	42	9	9
East St. Louis	73	14	31	36	15	4
CORN BELT FRINGE AREA						
Toledo General Farming	234	10	19	53	14	4
Kankakee River	75	22	40	7	28	3
Lower Wabash River	103	12	17	42	13	16
Missouri Putnam Soils	106	24	24	24	17	11
Iowa-Missouri Pasture	60	12	20	33	20	15
Maryville-Greenfield Livestock	85	6	14	35	26	19
Southern Minnesota	60	11	27	32	22	8
LaCrosse-Dubuque Livestock	31	16	23	23	19	19
GENERAL FARMING AREA						
Southeastern Ohio	135	19	25	45	10	1
Southeastern Indiana	128	28	23	32	16	1
Southwestern Missouri Plains	124	8	18	65	7	2
Central-Minnesota-Wisconsin	103	11	12	53	11	13
Red River Valley	28	22	18	18	21	21
Central and Western Michigan	140	4	19	64	13	0
CUTOVER AND OZARK AREA						
Michigan Cutover	53	9	25	43	6	17
Missouri Ozark	75	11	27	57	4	1
MISSOURI-ILLINOIS COTTON AREA	25	8	40	8	0	44
REGIONAL TOTAL	2505	13	21	37	18	11

PRICES

Farm land prices continue to rise. In no quarter since the beginning of this study have land prices not been higher than the same quarter of the preceding year (Table 7). The current quarter average price of $78 per acre is $24 or 44 percent above the second quarter of 1941. Only in the first quarter of this year has the average price been higher. This seasonal drop has occurred in four of the past five years.

TABLE 7. Average Price Per Acre

Year	Quarter				Yearly Average
	First	Second	Third	Fourth	
	Dollars				
1941	53	54	55	59	55
1942	60	58	61	61	59
1943	68	68	73	72	70
1944	76	73	77	78	76
1945	85	78			

The average per acre sale price of land sold in the current quarter is 7 percent higher than the same period of last year (Table 8). Each of the type of farming areas and all of the sub-areas except three have experienced a rise in the price of land. Land prices have advanced an average of 11 percent a year in the second quarter with the greatest increase occurring from 1942 - 1943.

Activity in the present quarter seems to be concentrated in the better land areas. Counties with an average selling price above the regional average tend to show an increase in the number of transfers while counties in which the average selling price is below the regional average tend to show a decline in number of transfers.

Among top prices paid for operating units this quarter were $233 per acre for 120 acres in Putnam County, Ohio; $270 for 152 acres in Benton County, Iowa; $275 for 160 acres and $300 for 120 acres in Livingston County, Illinois.

The average selling price of land in this region for the first six months of 1945 was $83 per acre. An increase of 11 percent over the first half of 1944 (Table 9).

TABLE 8. Average per acre price of farm real estate changing ownership in sample counties, by areas, Second Quarter 1941 - 45 North Central Region 1/

Area	Second Quarter 1941 2/	1942	1943	1944	1945	Pct. change 2nd quarter '45 over 2nd quarter '44.
	Dollars					(Percent)
CORN BELT AREA						
Central Indiana-Ohio	77	82	100	113	120	+ 6
Illinois-Indiana Cash Grain	121	137	153	161	165	+ 2
Illinois-Iowa Livestock	84	96	113	101	118	+17
Central and Northern Iowa	85	95	104	113	123	+ 9
Western Iowa	72	66	75	85	90	+ 6
DAIRY AREA						
Northeastern Ohio	71	75	88	100	109	+ 9
Lake Michigan	74	72	80	96	103	+ 7
East St. Louis	55	50	60	60	78	+30
CORN BELT FRINGE AREA						
Toledo General Farming	67	71	83	94	101	+ 7
Kankakee River	60	56	68	70	69	- 1
Lower Wabash River	34	45	51	57	62	+ 9
Missouri Putnam Soils	21	24	26	30	37	+23
Iowa-Missouri Pasture	28	33	31	41	51	+24
Maryville - Greenfield Livestock	60	52	60	60	62	+ 3
Southern Minnesota	55	57	85	72	73	+ 1
LaCrosse-Dubuque Livestock	46	48	57	63	53	-16
GENERAL FARMING AREA						
Southeastern Ohio	27	25	26	33	36	+ 9
Southeastern Indiana	23	22	33	34	37	+ 9
Southwestern Missouri Plains	26	26	32	35	40	+14
Central Minnesota-Wisconsin	17	22	27	28	32	+14
Red River Valley	26	29	24	32	34	+ 6
Central and Western Michigan	42	46	60	71	70	- 1
CUTOVER and OZARK AREA						
Michigan Cutover	12	13	21	21	30	+43
Missouri Ozark	12	13	17	20	23	+15
MISSOURI-ILLINOIS COTTON AREA	78	83	117	103	112	+ 9
REGIONAL AVERAGE	54	58	68	73	78	+ 7

1/ Prices are from recorded farm real estate transfers in sample counties and are the averages for the transfers for which adequate information concerning price and acreage was available. Only bona fide sales were included. 1941 and 1942 prices represent transfers dated and recorded within the year, whereas 1943, 1944, and 1945 prices generally represent only those transfers for which buyer or seller reported the date of the agreement for sale to be within the quarter or the preceding month.

2/ Based on 33 sample counties. Land prices in areas for which 1941 data were not available were calculated on the basis of the 1941-42 ratio in areas for which data were available. This ratio was applied to the 1942 figures in those areas for which 1941 data were not available.

TABLE 9. Average per acre price of Farm Real Estate changing ownership in the First Half of the Year 1941 - 1945 North Central Region

Area	First Half Year					Pct. Change 1st half 1945 over 1st half 1944
	1941	1942	1943	1944	1945	
	Dollars					(Percent)
Corn Belt Area	85	97	110	120	135	+13
Dairy Area	70	68	81	93	96	+ 3
Corn Belt Fringe Area	46	52	62	68	72	+ 6
General Farming Area	27	29	33	38	42	+11
Cutover and Ozark Area	13	14	18	18	25	+39
Cotton Area	68	84	107	103	139	+35
Region	53	59	68	75	83	+11

The increase in the Corn Belt Area over the first half of last year is exceeded only by the increase in Cutover and Ozark Area and the Cotton Area. The average price in the Cotton Area is more than double the price for the same period of 1941 and is almost double in the Cutover and Ozark Area.

BUYER'S EQUITY

The purchase of 46 percent of the tracts transferred in the current quarter has been financed with credit (Table 10). This is the same proportion as a year ago and is the only quarter which has not shown a smaller proportion of credit financed purchases than comparable quarters of the preceding year. There has also been a slight seasonal increase from the first to the second quarter. This may indicate that the trend has reversed itself and future quarters may show an increasingly larger proportion of credit financed purchases.

TABLE 10. Proportion of tracts financed by mortgage or contracts - North Central Region 1/

Year	Quarter			
	First	Second	Third	Fourth
	Percent			
1942	63	65	52	53
1943	60	52	48	48
1944	53	46	41	44
11945	45	46		

The two areas of lowest average price have the highest proportion of cash sales (Table 11). However, the increase in the proportion of credit financed purchases over last quarter was brought about principally by an increase in financed purchases in these two areas. All other areas except

1/ Taken from past quarterly land market reports.

TABLE 11. Proportion of cash purchases, cash and mortgage purchases, and purchases by contract and equity of buyers in purchased properties North Central Region, Second Quarter, 1945.

Area	Total Transfers	Method of Financing			Buyer's Equity	
		Cash Sales	Cash and Mortgage	Purchase contracts	In mortgaged properties 1/	In all properties deeded
	(Number)	Percent				
CORN BELT AREA						
Central Indiana-Ohio	215	45	55	0	47	69
Illinois-Indiana Cash Grain	43	72	28	0	41	75
Illinois-Iowa Livestock	65	65	35	0	51	80
Central & Northern Iowa	75	36	64	0	44	60
Western Iowa	38	45	50	5	54	70
DAIRY AREA						
Northeastern Ohio	149	54	46	0	47	69
Lake Michigan	282	51	49	0	40	59
East St. Louis	73	70	30	0	49	76
CORN BELT FRINGE AREA						
Toledo General Farming	234	53	47	0	44	70
Kankakee River	75	51	49	0	48	69
Lower Wabash River	103	51	49	0	38	66
Missouri Putnam Soils	106	49	51	0	46	66
Iowa-Missouri Pasture	60	57	43	0	38	69
Maryville-Greenfield Livestock	85	55	44	1	39	64
Southern Minnesota	60	40	60	0	36	58
LaCrosse-Dubuque Livestock	31	45	48	7	40	61
GENERAL FARMING AREA						
Southeastern Ohio	135	57	43	0	38	70
Southeastern Indiana	128	55	45	0	45	65
Southwestern Missouri Plains	124	59	41	0	45	71
Central Minnesota-Wisconsin	103	54	45	1	36	65
Red River Valley	28	89	11	0	55	92
Central & Western Michigan	140	64	36	0	47	77
CUTOVER AND OZARK AREA						
Michigan Cutover	53	83	17	0	42	75
Missouri Ozark	75	63	37	0	50	70
MISSOURI-ILLINOIS COTTON AREA	25	20	80	0	16	31
REGIONAL TOTAL	2505	54	45	1	43	68

1/ Includes purchase contracts.

the Cotton Area show an increase in the proportion of cash purchases over last quarter.

The greatest increase in the proportion of cash sales over the second quarter of 1943 has occurred in the Corn Belt Area where 50 percent of the tracts were bought with cash this quarter as compared to 42 percent two years ago.

There has not been as much improvement in the equity of credit financed purchases as there has been in the proportion of cash purchases. Current quarter buyers who have financed their land purchase retain an average equity of 43 percent as compared to 39 percent in the second quarter of 1943 and 40 percent last year.

Buyer's equity in credit financed purchases shows a remarkable degree of uniformity between areas. This would seem to indicate that wherever people buy land on credit, regardless of price, the down-payment is almost standardized as a percentage of the purchase price.

The average per acre indebtedness on credit financed purchases this quarter is above the second quarter of both 1943 and 1944 in all areas except the Corn Belt Fringe Area (Table 12). In the General Farming Area the per acre indebtedness this quarter is higher than any previous quarter. In fact it is equal to the average price of all land sold in that area during the year 1941. In other areas the current quarter per acre indebtedness on credit financed purchases varies from 70 percent of the average price for the year 1941 in the Corn Belt Area to 90 percent in the Dairy Area.

TABLE 12. Per acre indebtedness of total purchases and mortgage financed purchases in the primary types of farming areas, by quarters - 1943 - 45. North Central Region

Year	Corn Belt Area		Dairy Area		Corn Belt Fringe		General Farming Area	
	All Pur.	Mtg.Fin.	All Pur.	Mtg.Fin.	All Pur.	Mtg.Fin.	All Pur.	Mtg.Fin.
	Dollars							
1943								
1st Quar.	41	60	28	50	22	32	12	20
2nd Quar.	42	59	27	53	19	34	11	20
3rd Quar.	36	56	28	55	20	37	9	20
4th Quar.	36	60	26	53	20	37	11	21
1944								
1st Quar.	43	62	31	56	23	38	13	25
2nd Quar.	39	61	29	51	23	41	12	26
3rd Quar.	29	64	23	48	20	39	11	24
4th Quar.	39	65	28	59	22	39	12	25
1945								
1st Quar.	38	65	30	53	23	41	11	26
2nd Quar.	37	63	32	54	22	40	11	27

The proportion of purchase money mortgages continues relatively low in comparison to other quarters. Thirty-one percent of the credit financed purchases this quarter have been financed by purchase money mortgages (Table 13). This compares with 37 percent in the second quarter of 1943 and 44 percent in the second quarter of last year. The resulting increase in other new mortgages has been almost entirely taken up by commercial banks. Slightly more than 1/3 of all credit financed purchases this quarter were financed with bank credit. This is considerably higher than any previous quarter and compares with the previous high of 27 percent last quarter.

The proportion of loans by other lending agencies and individuals has remained relatively constant over the past year.

For mortgages other than purchase money mortgages commercial banks have provided the bulk of the credit in all areas except the Cotton Area. In the Dairy Area, the General Farming Area and the Cutover and Ozark Area banks have provided the credit for more purchases than any other credit source.

The most common interest rate for mortgage loans has returned to 5 percent (Table 14) after dropping to 4 percent last quarter. 1/ However, there is still a higher proportion of loans carrying a loan rate of 4½% or less than in any previous quarter except last quarter. More than half of the loans by commercial banks, which are increasing in importance as a source of mortgage credit, carry a loan rate of 5 percent or higher. All of the new mortgage loans by insurance companies have a loan rate of less than 5 percent.

1/ Sample counties used in the study of mortgage terms are Logan and Knox, Illinois; Adams, Knox, Newton, Noble, Grant and Tippecanoe, Indiana; Clarke, Palo Alto, Fayette, and Story, Iowa; Seneca, Wayne, Darke, Madison and Muskingum, Ohio; Monroe, Missouri; Lenawee, Van Buren and Livingston, Michigan; and Cottonwood, Minnesota.

TABLE 13. Relative extent of use of purchase money mortgages and sources of other new mortgage credit, Second Quarter 1945, North Central Region 1/

Area	Purchase money mortgages 2/	Other new mortgages by: Individuals	FLB, LBC & FSA	Insurance Co.	Commercial Banks	Other
	Percent					
CORN BELT AREA						
Central Indiana-Ohio	12	11	7	11	51	8
Illinois-Indiana Cash Grain	67	11	0	22	0	0
Illinois-Iowa Livestock	5	15	25	5	50	0
Central & Northern Iowa	42	9	9	10	30	0
Western Iowa	21	16	10	42	11	0
DAIRY AREA						
Northeastern Ohio	28	19	5	3	36	9
Lake Michigan	30	26	6	5	31	2
East St. Louis	30	9	0	13	39	9
CORN BELT FRINGE AREA						
Toledo General Farming	18	9	2	8	57	6
Kankakee River	17	12	3	15	53	0
Lower Wabash River	40	14	0	0	43	3
Missouri-Putnam Soils	29	33	13	9	11	5
Iowa-Missouri Pasture	54	4	4	0	21	17
Maryville-Greenfield Livestock	43	11	6	9	31	0
Southern Minnesota	30	23	3	17	27	0
LaCrosse-Dubuque Livestock	50	14	22	7	7	0
GENERAL FARMING AREA						
Southeastern Ohio	31	16	6	0	10	37
Southeastern Indiana	20	5	0	2	56	17
Southwestern Missouri Plains	35	12	8	2	23	20
Central Minnesota-Wisconsin	32	16	0	0	47	5
Red River Valley	0	0	0	50	50	0
Central & Western Michigan	35	25	2	5	33	0
CUTOVER AND OZARK AREA						
Michigan Cutover	20	40	0	0	40	0
Missouri Ozark	16	8	4	0	68	4
MISSOURI-ILLINOIS COTTON AREA	75	13	0	6	6	0
REGIONAL TOTAL	31	14	6	10	34	5

1/ Percentages of total number of new mortgages on tracts conveyed.

2/ Includes contracts.

TABLE 14. Proportion of new farm mortgages made at various interest rates, by type of lender, 22 sample counties, Second Quarter, 1945 North Central Region.

Type of Lender	Total Cases	Percent of total loans of each type of lender by interest rates								
		2%	3%	3½%	4%	4½%	5%	6%	7%	8%
	(Number)	Percent								
Individuals	131	2	6	2	28	7	38	16	1	0
Commercial Banks	139	0	1	1	32	9	42	15	0	0
Insurance Companies	28	0	0	10	61	29	0	0	0	0
FLB and LBC	52	0	0	0	48	0	52	0	0	0
Others	33	0	28	0	6	3	39	12	12	0
TOTAL	383	1	5	1	33	8	39	12	1	0
Interest rate not given	84									
GRAND TOTAL	467									

Forty-six percent of the new mortgages on credit financed purchases this quarter will mature within five years or less (Table 15). This is the same proportion as a year ago, but slightly less than last quarter. Fifty-eight percent of the loans by commercial banks will mature within five years or less and 96 percent will mature within ten years or less. Only slightly over 1/4 of all the new mortgages run for a period of more than ten years.

TABLE 15. Proportion of new farm mortgages made for various lengths of time, by type of lender, 22 sample counties, Second Quarter, 1945, North Central Region.

Type of Lender	Total Cases	Length of Mortgage					
		1 year or less	2,3, or 4 years	5 years	6,7,8 or 9 years	10 years	Over 10 years
	(Number)	Percent					
Individuals	125	14	19	39	8	14	6
Commercial Banks	158	13	6	39	10	28	4
Insurance Companies	43	0	0	0	5	5	90
FLB and LBC	52	0	0	0	0	13	87
Others	23	4	0	13	17	18	48
TOTAL	401	10	8	28	8	19	27
Length of mortgage not given	66						
GRAND TOTAL	467						

Almost 3/4 of all new mortgages carry some plan of amortized payments (Table 16). Forty-five percent of the new mortgages can be completely repaid in installments and an additional 29 percent call for reduction of the principal before maturity by amortized payments. Insurance companies have a higher proportion of fully amortized loans than previous quarters. Individuals and commercial banks, the two largest sources of credit, provide the least opportunity for amortized payment of loans. The value of amortization may be questioned when applied to short time real estate loans because of the large periodic payments required.

TABLE 16. Arrangements for repayment of principal included in new farm mortgages, by type of lender, 22 sample counties, Second Quarter, 1945, North Central Region.

Type of Lender	Total Cases	Percent of total mortgages: Fully Amortized	Partially Amortized	Not Amortized
	(Number)	- - - - - - Percent - - - - - -		
Individuals	126	24	33	43
Commercial Banks	165	30	41	29
Insurance Companies	43	56	30	14
FLB and LBC	52	100	0	0
Others	39	92	3	5
TOTAL	425	45	29	26
Method of repayment not given	42			
GRAND TOTAL	467			

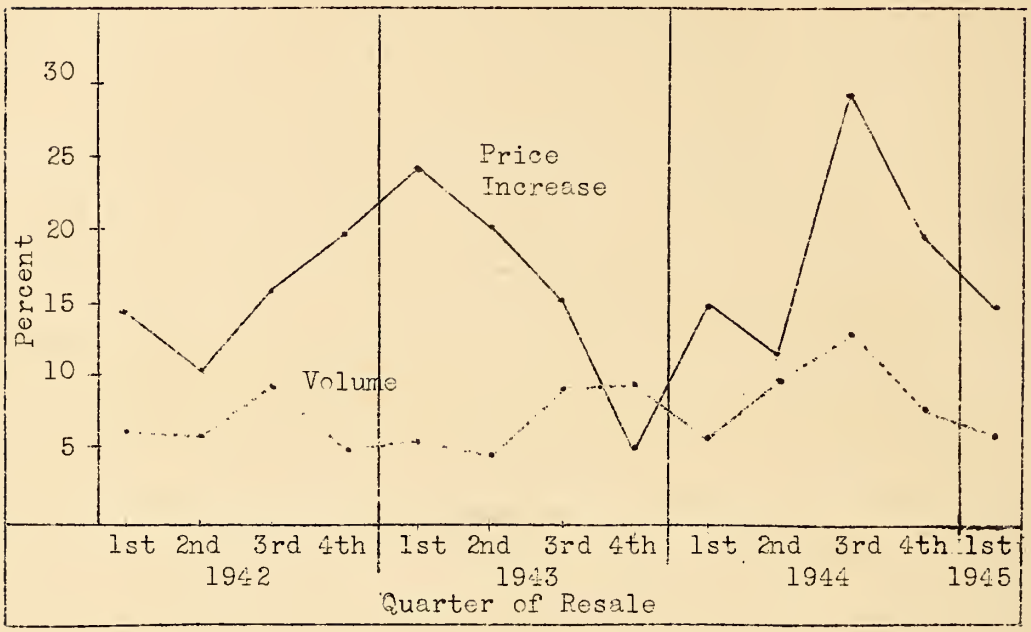
RESALE

The proportion of total sales in the first quarter of the current year which were resales of land held a year or less stand at the same level as the first quarter of 1944. 1/ Resales of tracts held one year or less were 5.7 percent of the total first quarter sales (Fig. 2).

There does not seem to be any very well defined trend in the proportion of these quick resales, however, there were a considerably higher percentage of these resales in 1944 than in either 1942 or 1943. In 1942 6.3 percent of all sales were resales of land held one year or less, 6.1 percent in 1943 and 7.7 percent in 1944.

1/ See Table 17 for counties used in the study of Resales.

FIGURE 2. Percent of total quarter sales resold within a year, and the average percent increase in price, by quarter of resale. 2/



The average gross profit on the resale of tracts held for a year or less was 14.8 percent for those tracts resold in the first quarter of this year. The gross profit on these resales has been subject to extreme variations over the past quarters, probably due to the small number of cases and occasional sales involving large sums. The yearly average gross profit presents a more uniform picutre but again there is no apparent trend except that in 1944 a larger profit was realized than in either 1942 or 1943. The average gross profit in 1942 was 15.2 percent, for 1943-14.8 percent, and for 1944-16.1 percent.

The resale of tracts held two years or less accounted for 10.6 percent of the first quarter 1945 transfers (Table 17). This is the smallest proportion of these resales since the first quarter of last year when 9.9 percent of the transfers were resales of tracts held two years or less. The gross profit on these resales was 16.8 percent as compared to 21.7 percent a year ago.

2/ Legal descriptions were compared for all farm land transfers in the sample counties to determine which tracts had changed hands more than once. Purchase and sale prices were used in determining the change in price or gross profit to the seller.

TABLE 17. Number and percentage of First Quarter 1945 sales purchased since December 31, 1940, and the percentage change in price by intervals. 1/

State and County	Number of transfers	Number of resales by months between purchase and resale: Not over 6 Months	Over 6 not over 12 Months	Over 12 not over 18 Months	Over 18 not over 24 Months	TOTAL	Ratio of Resales to all Sales	Sales of properties held more than 24 Months	All Sales properties purchased after December 31,1940. Total	Ratio to all sales
Knox, Illinois	61	1	1	0	3	5	8.2%	6	11	18.0%
Fayette, Iowa	99	2	0	0	1	3	3.0	5	8	8.1
Cedar, Iowa	80	1	2	2	2	7	8.7	5	12	15.0
Audrain, Missouri	67	3	0	1	1	5	7.5	5	10	14.9
Putnam, Ohio	54	2	0	2	3	7	13.0	3	10	18.5
Rush, Indiana	38	2	1	0	0	3	7.9	3	6	15.8
Cottonwood, Minn.	47	0	2	1	0	3	6.4	6	9	19.1
Steele, Minn.	27	0	1	0	1	2	7.4	2	4	14.8
Jennings, Indiana	83	4	6	6	1	17	20.5	10	27	32.5
Nodaway, Missouri	126	1	6	6	2	15	11.9	9	24	19.0
Harrison, Missouri	81	3	2	5	3	13	16.0	6	19	23.5
Crawford, Iowa	69	4	2	1	0	7	10.1	6	13	18.8
Pemiscot, Missouri	35	2	1	2	0	5	14.3	2	7	20.0
TOTAL	867	25	24	26	17	92	10.6%	68	160	18.5%
Percentage change in price		+8.0%	+24.2%	+13.2%	+26.0%	+16.8%		+43.8%	+24.4%	
Fourth Quarter 1944 TOTAL	454	18	15	12	10	55	12.1%	28	83	18.3%
Percentage change in price		+16.1%	+22.2%	+38.0%	+25.4%	+25.1%		+30.6%	+26.7%	

1/ It will be noted that the table is based on First Quarter transfers.

OUTLOOK

Although both the European and the Japanese Wars are over it is doubtful if any marked reactions will be apparent in the next quarter. It may be possible that the shock of readjustment will result in a smaller price rise than in past quarters, but any major influence of the war's end will probably not appear until the first quarter of next year.

Since the current quarter shows the smallest decline in the volume of transfers since the drop began in the second quarter of last year it appears likely that the volume of sales will tend to level off during the next two quarters.

There is some indication that the proportion of credit financed purchases have reached their lowest point and future quarters may show a higher proportion of these purchases.

It seems almost certain that with a continued rise in land prices and an increasing demand for credit, commercial banks will continue to increase in importance as a source of mortgage credit.

APPENDIX

Major Land Value Areas and Sample Counties

Corn Belt Area

Central Indiana-Ohio
- Grant Co., Ind.
- Rush Co., Ind.
- Tippecanoe Co., Ind.
- Darke Co., Ohio
- Madison Co., Ohio

Illinois-Indiana Cash Grain
- Logan Co., Ill.
- *Champaign Co., Ill.
- Livingston Co., Ill.

Illinois-Iowa Livestock
- Knox Co., Ill.
- *Ogle Co., Ill.
- Cedar Co., Iowa

Central & Northern Iowa
- Benton Co., Iowa
- Cerro Gordo Co., Iowa
- Palo Alto Co., Iowa
- Story Co., Iowa

Western Iowa
- Crawford Co., Iowa
- Montgomery Co., Iowa

Dairy Area

Northeastern Ohio
- Medina Co., Ohio
- Wayne Co., Ohio

Lake Michigan
- Brown Co., Wis.
- Jefferson Co., Wis.
- *McHenry Co., Ill.
- Porter Co., Ind.
- Van Buren Co., Mich.

East St. Louis
- Clinton Co., Ill.
- Macoupin Co., Ill.

Corn Belt Fringe Area

Toledo Gen. Farming
- Adams Co., Ind.
- Putnam Co., Ohio
- Seneca Co., Ohio
- Lenawee Co., Mich.

Kankakee River
- Newton Co., Ind.
- Noble Co., Ind.

Lower Wabash
- Parke Co., Ind.
- Knox Co., Ind.

Missouri-Putnam
- Audrain Co., Mo.
- Monroe Co., Mo.

Iowa-Missouri Pasture
- Clarke Co., Iowa
- Harrison Co., Mo.

Maryville-Greenfield
- Nodaway Co., Mo.
- Adair Co., Iowa

Southern Minnesota
- Cottonwood Co., Minn.
- McLeod Co., Minn.
- Steele Co., Minn.

LaCrosse-Dubuque
- Fayette Co., Iowa
- *Lafayette Co., Wis.
- Winona Co., Minn.

General Farming Area

Southeastern Ohio
- Muskingum Co., Ohio
- Pike Co., Ohio

Southeastern Indiana
- Jennings Co., Ind.
- Ripley Co., Ind.

Southwestern Mo. Plains
- Johnson Co., Mo.
- Lawrence Co., Mo.

Central Minn.-Wisconsin
- Barron Co., Wis.
- *Morrison Co., Minn.

Red River Valley
- *Stevens Co., Minn.
- Norman Co., Minn.

Central & Western Mich.
- Livingston Co., Mich.
- Gratiot Co., Mich.

Cutover and Ozark Area

Michigan Cutover (Lower Peninsula)
- Emmet Co., Mich.
- Ogemaw Co., Mich.

Missouri Ozark
- Laclede Co., Mo.

Cotton Area

- Pemiscot Co., Mo.

*Omitted this quarter